

*Handwritten signature/initials*

22 February 1982

MEMORANDUM FOR: Director of Central Intelligence

FROM: Herbert E. Meyer

SUBJECT: Impact of a Hard Currency Shortage on the  
Soviet Bloc

It's clear that the Soviet bloc is facing a shortage of hard currency. For one thing, market forces by themselves are lowering the value of Soviet exports while reducing the flow of Western credits. Moreover, the flow of credits could be further reduced, or even cut off, by government action.

But how badly will the Soviet Union and its satellites be hurt, and how are they likely to respond? This issue is one that we've addressed in several recent publications, but we haven't hit this particular nail on its head. Doing so now would provide policymakers with an assessment of the economic leverage available to the West--or to the US alone--in the near-term future.

What follows is an outline of the study I'm proposing. The answers to some of these questions are already in-house. A project Hans Heymann is cooking up will provide still more answers:

1. How much hard currency will the Russians and their allies need during the coming years to sustain their import programs?

(a) What do they import now?

(b) From where?

2. How much hard currency are the Russians and their allies likely to have available during the coming years?

3. What would be the impact on the Soviet bloc of a drop in Western imports?

(a) What imports would be reduced or eliminated--grain versus machinery?

(b) What would be the effects of these reductions and/or eliminations--political, social, economic, military?

(c) How would the relationship between the Soviet Union and its satellites be affected?

Orig C1 By Signer  
Rvw 22 Feb 1988

SECRET

4. How are Soviet leaders likely to manage a hard currency shortage?

(a) Is belt-tightening a probable response?

(b) Might they seek and find new sources of credit--e.g., Mideast governments?

(c) Might they step up efforts to acquire imports from the West without hard currency--e.g., more technology-related espionage?

(d) What countries would be the most productive targets of such efforts?

Herbert E. Meyer